HAMP vs. HARP vs. HAFA

Over the last four years, the government has made a few sizable efforts to reduce the rising tide of foreclosures and help a significant number of homeowners stay in their homes. In hindsight, these efforts have been somewhat helpful, but none has had the impact that the government or homeowners hoped for. With so many households still struggling to make ends meet, we have important work ahead in educating our community members the various programs and resources to help during a financial hardship.

While the most recent data suggests that conditions on the housing front are beginning to get better, there are still a number of homeowners struggling to make their mortgage payments across the country. In the past, people might have lost their homes due to unexpected health issues or medical expenses. In the current economy, joblessness, career changes and other financial issues present new challenges. In light of this, the federal government has provided several options to help homeowners facing difficulties with their home mortgage.

Foreclosure is not inevitable when you fall behind on your mortgage payments. There are options. But, you need to discuss these options with your lender (the company to which you make your mortgage payments) to determine the best solution for your situation. Remember: the earlier you contact your lender, the more options you will have to avoid foreclosure. There are, essentially, three ways to avoid foreclosure: refinance your house, modify your loan or do a short sale. The government has different programs that can help homeowners with each of these actions. Keep in mind that policies and procedures will vary.

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Loss Mitigation Department

Loss mitigation was introduced as a collaborative effort between the federal government and the mortgage industry. The program was established to help homeowners that were facing the loss of their homes due to delinquent payments, stop foreclosure before it occurred. By taking the time to know what rights and options the homeowner has during delinquency, it is possible to use the loss mitigation process to get back on track with their mortgage. Lenders ultimately want to keep the homeowner in their home and it is up to the homeowner now to contact their mortgage servicer, discuss and negotiate options to catch up and maintain the mortgage payment in the future or a workout option to exit the property to avoid foreclosure.

Foreclosure can occur when payments become three to four or more months late, depending on the mortgage terms. It's important to note that no one benefits from a foreclosure and mortgage servicers are doing everything they can to help borrowers who want to stay in their homes and have the means to pay their mortgage. Since June of 2007, the mortgage industry has helped avoid more than 5.2 million foreclosures via either loan modifications or workout plans.

Lenders Are Required To

Consider all reasonable means to address delinquency at the earliest possible moment to minimize financial loss to the mortgage company.

- Inform homeowners of available loss mitigation options
- Inform availability of housing counseling
- Utilize loss mitigation whenever feasible to avoid foreclosure
- Pursue resolution

What are HARP, HAMP, and HAFA?

- H.A.M.P. = Home Affordable Modification Program
- H.A.R.P. = Home Affordable Refinance Program
- H.A.F.A. = Home Affordable Foreclosure Alternatives

These programs are due to expire December 2013.

A home is often a family's most valuable possession. Preventing avoidable foreclosures helps keep families in their homes, preserves communities, and prevents avoidable loss. The "Making Home Affordable" plan provides responsible homeowners with support to obtain affordable refinancing or a loan modification by reducing their payments by lowering the interest rate to as low as 2% if necessary, or extending the loan to a 40 year amortization. Deferred payments on a portion of the loan with no interest can be approved as well plus forgiving part of the debt entirely.

On a non-curable financial hardship such as a death of a wage earner, recent disability status an exit plan can be offered to avoid foreclosure when their mortgage payment is no longer affordable or desirable such as a short sale or a deed-in-lieu of foreclosure. Additionally, there are options for unemployed homeowners and homeowners who owe more than their homes are worth.

The Federal Making Home Affordable Program
The Making Home Affordable Program is a part of the U.S. Government's Financial Stability Plan to address key issues hurting the United States economy. Since the national housing market plays a critical role in getting the economy back on track, The Making Home Affordable Program is designed to help stabilize the housing market and help struggling homeowners get relief by avoiding foreclosure. The Making Home Affordable Program would allow you to simultaneously apply for a loan modification, short sale, and deed in lieu of foreclosure.

Note: If part of your loan is deferred, your payments are based on the remaining principal. You still owe the deferred portion, but don't have to pay it back until you pay off your loan, refinance, or sell your house.

Your lender will give you a 3-month trial period to see if you make your new payments on time. If the trial is successful, your payments will be fixed at the new rate for at least five years.

If you have a below market rate, your interest rate can go up 1% per year after five years, but can never go higher than the market interest rate that was in effect when your loan was modified. Otherwise your rate is fixed at the modified rate.

For each mortgage payment that you make on time, you earn a Pay-for-Performance Success Payment from the government. These payments lower your principal balance. The government will pay up to $1000 per year for up to five years, for a total of $5000. You must stay in the program at least one year before the payments are applied to your loan.

If you have a second lien on the property, you may be eligible for the 2nd Lien Modification Program (2MP). 2MP will give a payment to mortgage servicers and investors who agree to lower the interest rate, extend the mortgage, or defer or forgive all or part of second lien debt for eligible borrowers. For more information, see 2nd Lien Modification Program (2MP) on the Making Home Affordable web site.

The loan modification does not cost you anything and HUD-approved homeowner counseling is also free. Any unpaid late fees that you may have are waived.

Setting New Standards
MHA has a comprehensive compliance program to ensure that servicers fairly evaluate homeowners for assistance and follow program guidelines. Treasury requires participating servicers to take specific actions to improve their servicing processes to more effectively assist struggling homeowners. While more progress needs to be made, servicers are focusing attention on the areas identified through regular compliance and program reviews.

Beyond the individual homeowners who are being helped, Treasury's housing programs are developing servicing practices that are becoming standard practice among servicers. Examples include:

- Requiring mortgage servicers to establish a single point of contact for homeowners seeking assistance, to ensure that a single, knowledgeable case manager can guide them through the modification process
- Mortgage servicers begin the foreclosure process while simultaneously evaluating homeowners for assistance
- Requiring mortgage servicers to provide qualified unemployed homeowners with a forbearance period of 12 months, subject to investor and regulatory guidelines, during which their monthly payments are temporarily reduced while they look for a new job.

This guidance follows a similar temporary extension by the Federal Housing Administration (FHA) for all FHA mortgages to reflect longer periods of unemployment that are currently taking place.

- When the homeowner's package is received by the servicer, there must be a simultaneous evaluation of the homeowners for both the HAMP and HAFA short sale programs
- During the first 120 days of delinquency, homeowners will be contacted both verbally and in writing to complete a mortgage modification or other solution to remain in the home, or enter into an arrangement to exit the home without a foreclosure, such as a short sale
- Including a 60-second window for answering inbound inquiries to call centers
- 48 hours to respond to homeowner's emails, as well as specific timelines for property inspections depending on loan status

When applying for one of these programs, be sure to follow all instruction and meet all deadlines outlined by your lender.

HAMP – Home Affordable Modification Program

The Obama administration launched its main program to prevent foreclosures in the spring of 2009 with $50 billion and abundant promises. The program was launched with a promise to help three to four million homeowners avoid foreclosures. Three and a half years later, the program is only approaching 1.3 million modifications. It's spent just $ 4 billion of its original $50 billion budget.

HAMP works to change loan terms in specific cases for working people who can't pay their mortgage. The loan amount must be less than $729,250, and the loan obtained before Jan. 1, 2009. The goal of HAMP is to reduce loan payments for your primary residence. Your lending institution will assist you with the process. Homeowners can also qualify even if they previously defaulted on some payments during a trial period.

Earlier this week, Treasury provided guidance to mortgage servicers participating in the Making Home Affordable Program about options available to homeowners affected by Hurricane Sandy.

Under program guidelines, servicers must offer a minimum of three months forbearance to any Making Home Affordable-eligible homeowner who requests a forbearance and whose property or principal place of business or employment is located in an area designated by the Federal Emergency Management Agency (FEMA) as being covered by the disaster as set forth at www.fema.gov/news/disasters.fema or as confirmed by the local FEMA office. There are currently more than 60,000 homeowners participating in the Making Home Affordable Program in the New York metropolitan area.

Additionally, if a homeowner is being considered for or has received assistance under the Making Home Affordable Program and misses one or more mortgage payments, Treasury has directed servicers not to take any action that would adversely affect eligibility for the program unless there is contact with the homeowner to establish whether he or she requires forbearance. The Treasury has also encouraged participating servicers to make extra effort to reach out to homeowners who may be eligible for assistance in impacted areas and allow homeowners additional time to respond and provide necessary documentation.

On June 1, 2012, the current administration broadened the requirements for those who qualify for HAMP. Another program, the Second Lien Modification Program (2MP), will then modify a second bank loan after the first loan is adjusted through HAMP. This program offers incentives to the bank to reduce lengthen or eliminate the loan.

More than 90 mortgage companies (servicers) now participate in MHA programs. For a complete list, visit www.MakingHomeAffordable.gov.

The main reasons homeowners are ineligible for HAMP and therefore will be evaluated for other assistance includes:

- Their mortgage payment is already below a 31 percent of debt-to-income ratio
- The homeowner did not complete the application including a submission of documents
- The property was either non-owner occupied or vacant

Here's How You Qualify for HAMP

- You occupy the house as your primary residence, not vacant or condemned
- You obtained your mortgage on or before January 1, 2009
- You are delinquent or in danger of falling behind on your mortgage
- You have a mortgage payment that is more than 31 percent of your monthly gross (pre-tax) income
- You owe less than $729,750 on your home 1st mortgage only and 2nd mortgages are okay
- You owe up to $934,200 on a 2-unit rental property; $1,129,250 on a 3-unit rental property; or $1,403,400 on a 4-unit rental property
- You must not have any equity
- You have a verifiable financial hardship and are either delinquent or in danger of falling behind
- You have sufficient, documented income to support the modified payment
- If you qualify for HAMP, you will start with a three-to-four month modification trial period
- You must not have been convicted within the last 10 years of felony larceny, theft, fraud or forgery, money laundering or tax evasion, in connection with a mortgage or real estate trans
- Borrowers in active Chapter 7 or Chapter 13 bankruptcy cases are eligible
- Borrowers who have received a Chapter 7 bankruptcy discharge in a case involving the first lien mortgage who did not reaffirm the mortgage debt under applicable law are eligible
- Servicers can include non-borrower household income in monthly gross income if it is voluntarily provided by the borrower and if, in the servicer's business judgment, that the income reasonably can continue to be relied upon to support the mortgage payment

The servicer may not conduct a foreclosure sale within the 30 calendar days after the date of a Non-Approval Notice or any longer period required to review supplemental material provided by the borrower in response to a Non-Approval Notice unless the reason for non-approval if:

- Ineligible mortgage
- Ineligible property
- Offer not accepted by borrower / request withdrawn
- The loan was previously modified under HAMP

Second Lien Modification Program (2MP)

If your first mortgage was permanently modified under HAMPSM and you have a second mortgage on the same property, you may be eligible for a modification or principal reduction on your second mortgage as well, through MHA's Second Lien Modification Program (2MP).

2MP works in tandem with HAMP to provide comprehensive solutions for homeowners with second mortgages to increase long-term affordability and sustainability. If the servicer of your second mortgage is participating, they can evaluate you for a second lien modification.

Here's How You Qualify

- Your first mortgage was modified under HAMP
- You must not have been convicted within the last 10 years of felony larceny, theft, fraud or forgery, money laundering or tax evasion, in connection with a mortgage or real estate transaction
- You have not missed three consecutive monthly payments on your HAMP modification

FHA Home Affordable Modification Program (FHA-HAMP)

FHA, VA and USDA all offer mortgage modification programs for struggling homeowners designed to lower monthly mortgage payment to no more than 31 percent of the homeowner's verified monthly gross (pre-tax) income making monthly mortgage payments much more affordable. If you have a loan that is insured or guaranteed by the Federal Housing Administration (FHA), you may be eligible for a program offered through that government agency.

- Call FHA's National Servicing Center at (877) 622-8525, visit www.fha.gov
- Call the Veterans Affairs Regional Loan Center at (877) 827-3702, visit HomeLoans.va.gov.

HARP 2.0 – Home Affordable Refinance Program

The Making Home Affordable Program has introduced new refinance initiates that allow homeowners to qualify for a refinance and save money on their home loans. The largest change to the refinance program was the creation and approval of the Home Affordable Refinance Program, or HARP.

The HARP program was created in early 2009 as a relief to homeowners who have Freddie or Fannie backed mortgages and who have a loan-to-value (LTV) ratio of more than 100% on their mortgage. Because mortgages with an LTV of over 100% are unable to qualify for traditional refinancing options, the HARP program was necessary as many struggling homeowners were underwater and owed far more on their mortgages than they were worth.

This program targets homeowners who are current on their mortgage but for whatever reason unable to get their home refinanced through conventional methods due to the decline in home value. The goal is to put the homeowner into a new loan which much more affordable payments. Currently, the HARP program being offered is called HARP 2.0 created in March 2012 and offers more flexible qualification requirements to help more people.

Here's How You Qualify

- You have a mortgage owned or guaranteed by Fannie Mae or Freddie Mac. However, with the rumored passage of HARP 3.0, that requirement will be no longer.
- You do not have an FHA, VA or USDA loan.
- You are current on your mortgage payments and must have paid your loan on-time for the last 6 months. You are allowed only one 30 day delinquency within the past 12 months
- Primary residence, second home and investment property are eligible for the HARP program
- Relaxed condominium requirements , i.e. delinquent HOA dues

- Loan was not refinanced under HARP previously, unless it is a Fannie Mae loan that was refinanced under HARP from March through May, 2009
- No maximum LTV for 30 year fixed-rate loans
- 105% LTV for adjustable rate mortgages
- Must have less than 20% equity in home (LTV cannot be less than 80%)
- The refinance will improve the long-term affordability or stability of your mortgage.
- 2nd loans must be subordinated
- Loan amounts up to $625, 500 and loan must have been made prior to 6/1/2009
- Shop your lender as some lenders are stricter on credit scores and LTVs. You do not have to stay with your mortgage company.
- As long as the new HARP monthly payment is not more than 20% greater than the current payment, specific credit and income guidelines do not apply.

Many lenders are implementing their own underwriting overlays, i.e. Fannie and Freddie do not have a FICO score requirement to qualify for a HARP mortgage, but most lenders are requiring a minimum FICO score of 620.

HAFA – Home Affordable Foreclosure Alternative

Lenders must allow the opportunity for the borrower to attempt a Short Sale or accept a Deed-in-Lieu of foreclosure before following through with a foreclosure proceeding.

The Home Affordable Foreclosure Alternatives (HAFA) program is for borrowers who, although eligible for the government Home Affordable Modification Program (HAMP), are not able to secure a permanent loan modification or cannot avoid foreclosure. HAFA provides two options for transitioning out of your mortgage:

- A short sale
- Or a Deed-in-Lieu (DIL) of foreclosure

In a short sale, the mortgage company lets you sell your house for an amount that falls "short" of the amount you still owe. In a DIL, the mortgage company lets you give the title back, transferring ownership back to them.

Unlike conventional short sales, a HAFA short sale completely releases you from your mortgage debt after selling the property. This means you will no longer be responsible for the amount that falls "short" of the amount you still owe. The deficiency is guaranteed to be waived by the servicer.

In a HAFA short sale, your mortgage company works with you to determine an acceptable sale price. HAFA has a less negative effect on your credit score than foreclosure or conventional short sales. HAFA provides protection and money to eligible borrowers who decide to do a Short Sale or a Deed-in-Lieu of foreclosure. When you close, HAFA may provide $3,000 in relocation assistance.

Here's How You Qualify

- You live in the home or have lived there in the last 12 months
- You have a documented financial hardship
- You have not purchased a new house within the last 12 months
- Your first mortgage is less than $729,750
- You obtained your mortgage on or before January 1, 2009

- The borrower’s total monthly mortgage payment exceeds 31% of their gross income
- You must not have been convicted within the last 10 years of felony larceny, theft, fraud or forgery, money laundering or tax evasion, in connection with a mortgage or real estate transaction

Homeowner Benefits

- $3,000 for relocation assistance
- Decisions are made faster and upfront
- Foreclosure process is temporarily halted
- Deficiency waver guaranteed by the servicer
- HAFA has less negative effect on your credit report

Compliance with Applicable Laws

- Federal Trade Commission Act – Prohibits unfair or deceptive acts or practices
- The Equal Credit Opportunity Act (ECOA) and Fair Housing Act – Discrimination
- The Real Estate Settlement Procedures Act (REPSA) - Imposes certain disclosure requirements
- The Fair Debt Collection Practices Act – Restricts certain abusive debt collection practices
- Fair Lending Laws – Ensure that services and lenders do not treat a borrower less favorable on grounds such as race, religion, national origin, gender, martial or familial status, age, handicap or receipt of public assistance income in connection with any loan modification
- Fair Credit Reporting Act – Regulates the collection, dissemination and use of consumer information including credit information

Treasury’s Borrower Support Centers – 888-995-HOPE (4673) – www.hopenow.com- www.995hope.org
The HOPE™ Hotline, a 24-hour telephone help-line operated by the non-profit, Homeownership Preservation Foundation, provides homeowners with free foreclosure prevention information and housing counseling referrals.

Under contract with the Program Administrator, the HOPE™ Hotline assists borrowers with a preliminary assessment of their eligibility for MHA Programs and also connects borrowers with detailed program or denial questions to MHA Help, a team of housing counselors dedicated exclusively to working with borrowers and servicers to resolve MHA escalated cases.

Other Resources

HUD Counselors - www.hud.gov/offices/hsg/sfh/hcc/fc
NeighborWorks - www.findaforeclosurecounselor.org/network/nfmcp/findaforeclosurecounselor.asp
CredAbility - www.credability.org

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